

## Message Text

SECRET

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ORIGIN SS-25

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TO AMEMBASSY BRASILIA NIACT IMMEDIATE

INFO AMEMBASSY PANAMA PRIORITY

S E C R E T STATE 107794

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EXDIS, FOR ASST. SECY TODMAN

E.O. 11652:GDS

TAGS: PFOR, PN

SUBJECT: PANAMA WRAP-UP

REF: CARACAS 4705

1. NEGOTIATIONS WITH PANAMA COMMENCED MAY 9 AS SCHEDULED WITH A TWO HOUR MEETING. ADDITIONAL SESSIONS OF APPROXIMATELY TWO HOURS EACH WERE HELD MAY 10 AND 11. A FOURTH SESSION IS SCHEDULED FOR THE AFTERNOON OF MAY 12. PARTICIPATING FOR PANAMA ARE ROMULO ESCOBAR PETHANCOURT, ARISTIDES ROYO (MINISTER OF EDUCATION), AND EDWIN FABREGA. ON OUR SIDE ARE BUNKER, LINOWITZ, BELL, DOLVIN AND WYROUGH.

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2. FIRST SESSION WAS DEVOTED TO OVERVIEW PRESENTATION BY AMBASSADOR BUNKER AND PANAMANIAN RESPONSE. BUNKER'S REMARKS STRESSED US EXPECTATIONS REGARDING TALKS. BUNKER STRESSED NEED TO REACH AGREEMENT ON ALL ISSUES. HE NOTED THAT TALKS WERE EXPLORATORY AND AD REFERENDUM AND OBSERVED THAT PROPOSALS ON ANY ONE ISSUE WERE

CONDITIONAL ON SOLUTION FOR ALL. ESCOBAR, AS PRINCIPAL PANAMANIAN SPOKESMAN, ACCEPTED THESE CONCEPTS AND STRESSED THAT TORRIJOS HAD DIRECTED TEAM IN MEXICO TO "TALK COMPLETELY ON ALL ISSUES AND FIND SOLUTIONS."

3. THE NEUTRALITY ISSUE DOMINATED DISCUSSION DURING THE FIRST TWO SESSIONS. THE US DELEGATION EMPHASIZED THE FORMULA OFFERED BY AMBASSADOR LINOWITZ IN MARCH. ON MAY 9 AND AGAIN MAY 10, ESCOBAR OFFERED SEVERAL INTERPRETATIONS AND MODIFICATIONS DEALING PRIMARILY WITH UNILATERAL INTERVENTION IN PANAMA'S AFFAIRS. FOR OUR PART, AMBASSADOR LINOWITZ EXPLAINED THE PROBLEMS AND DIFFICULTIES WHICH SOME OF THESE WOULD POSE FOR THE US.

4. DURING THE WEDNESDAY SESSION, WE PASSED TO PANAMA A COPY OF THE PROPOSED NEUTRALITY TREATY (EARLIER CLEARED BY DOD WITH THE COMMENT) THAT BOTH SIDES HAD HAD A USEFUL EXCHANGE OF VIEWS ON THE ISSUE DURING THE FIRST TWO MEETINGS AND THAT WE WISHED TO PROVIDE PANAMA WITH OUR IDEAS CONCERNING A DRAFT TREATY SO THAT IT MIGHT CONSIDER THEM AND DISCUSS THE SUBJECT WITH US LATER.

5. DURING THE FIRST MEETING, ESCOBAR STRESSED THE IMPORTANCE TO PANAMA OF THE LANDS AND WATERS ISSUE. HE PROPOSED IT AS THE FIRST ISSUE FOR DISCUSSION, AND ASKED FOR OUR RESPONSE TO THE PANAMANIAN ASPIRATIONS ON THIS SUBJECT WHICH HE HAD DESCRIBED DURING HIS PRIVATE MEETING WITH BUNKER AND LINOWITZ IN MARCH  
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(REVERSION TO PANAMA OF PORTS, RAILROAD, HOUSING AREAS, ETC.) WHILE WE INDICATED ON MONDAY THAT WE WERE NOT YET IN A POSITION TO DISCUSS THIS ISSUE IN DETAIL, WE STRESSED THAT WE WERE MINDFUL OF PANAMANIAN ASPIRATIONS AND HOPED THAT WE COULD ACCOMMODATE THEM SATISFACTORILY AND MEET OUR OPERATIONAL NEEDS AT THE SAME TIME. AS AN "EARNEST" OF OUR GOOD INTENTIONS, AMBASSADOR BUNKER INDICATED AT THE START OF THE SECOND SESSION OUR WILLINGNESS TO PASS TO PANAMA THE RAILROAD AND AN ENLARGED AREA AT THE TOP OF ANCON HILL. THE PANAMANIAN TEAM RESPONDED FAVORABLY ON THE RAILROAD BUT WAS DISAPPOINTED THAT WE WERE NOT PREPARED TO YIELD ALL OF ANCON HILL.

6. PRIOR TO THE THIRD SESSION, AMBASSADOR BUNKER AND LINOWITZ MET WITH SECRETARY ALEXANDER WHO HAD BEEN CONSIDERING ASPECTS OF THE LANDS AND WATERS ISSUE AFFECTING PANAMA CANAL COMPANY OPERATIONS. WITH SECRETARY ALEXANDER'S CONSENT, AMBASSADOR BUNKER

OPENED THE THIRD SESSION WITH A STATEMENT LISTING SEVERAL MORE CONCESSIONS WE ARE PREPARED TO MAKE IN OUR LANDS AND WATERS POSITION OF FEBRUARY 1977, INCLUDING: (A) ESTABLISHMENT OF A JOINT AUTHORITY TO OPERATE THE PORTS AND THE RAILROAD; (B) ESTABLISHMENT OF A COOPERATIVE REGIME FOR ENTITY HOUSING; (C) REVERSION TO

PANAMA OF ANCON HILL (LESS NEEDED US FACILITIES THEREON); PLUS (D) REVERSION TO PANAMA OF SELECTED CANAL ANCHORAGES AND OTHER AREAS OF HIGH INTEREST TO IT.

7. PANAMA'S REACTION WAS HIGHLY FAVORABLE. BOTH SIDES SUBSEQUENTLY AGREED ON THE NEED FOR FURTHER DETAILED DISCUSSION AT THE TECHNICAL LEVEL.

8. AMBASSADOR BUNKER FOLLOWED HIS LANDS AND WATERS PRESENTATION (PARA 6 A) WITH REMARKS ON THE ISSUE  
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OF CIVILIAN EMPLOYEES. WE PASSED TO PANAMA PAPERS ON THE EMPLOYEES AND ON THE FORM OF THE ENTITY. DURING THE REMAINDER OF THE THIRD SESSION, ESCOBAR LIMITED HIS COMMENTS TO THE CANAL EMPLOYEE ISSUE. HE STRESSED PANAMA'S INTENTION TO IMPROVE THE POSITION OF PANAMANIAN EMPLOYEES BUT TO DO SO ONLY IN A WAY WHICH WILL NOT ADVERSELY AFFECT THE STATUS AND WORK BENEFITS OF US EMPLOYEES. FOR THE FIRST TIME IN THE NEGOTIATIONS, THE PANAMANIAN TEAM COMMITTED ITSELF AT THE POLITICAL LEVEL TO USE OF US SCHOOLS AND MEDICAL FACILITIES BY US CIVILIAN EMPLOYEES AND THEIR DEPENDENTS. THE THIRD MEETING ADJOURNED ON AN UPBEAT NOTE WITH AN EXCHANGE OF TOASTS ON THE OCCASION OF AMBASSADOR BUNKER'S 83 BIRTHDAY.

9. AFTER THREE SESSION, IT IS UNCLEAR HOW THIS ROUND WILL END. REPORTS FROM PANAMA AFTER TUESDAY'S SESSION WERE CONTRADICTORY. SOME INDICATED THAT TORRIJOS INTENDED TO RECALL THE TEAM "IF NO PROGRESS WERE ACHIEVED WITHIN 48 HOURS," WHILE OTHERS QUOTED FOREIGN MINISTER GONZALEZ REVILLA AS EXPECTING A "BREAKTHROUGH" WITHIN 48 HOURS. PANAMANIAN PRESS REACTION THUS FAR HAS BEEN HIGHLY POSITIVE.

10. THE PANAMANIAN DELEGATION SEEMED GENUINELY IMPRESSED WITH AMBASSADOR BUNKER'S WEDNESDAY PRESENTATION ON LANDS AND WATERS, AS WELL AS BY THE CONCESSIONS OFFERED WITH RESPECT TO LIMITS ON HIRING OF AMERICANS BY THE ENTITY. AMBASSADOR JORDEN, WHO HAS BEEN IN WASHINGTON ON CONSULTATIONS, HAS BEEN IN CLOSE TOUCH WITH THE NEWLY APPT PANAMANIAN AMB (LEWIS) FOR THE LAST THREE

DAYS AND EXPECTS EVENTUAL PANAMANIAN ACQUIESCENCE ON THE NEUTRALITY ISSUE.

11. THE NEXT MOVE IS PANAMA'S. WE HAVE PROVIDED NOW DETAILED VIEWS ON FOUR SIGNIFICANT ISSUES. THE SECRET

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PANAMANIAN DELEGATION HAS CONSIDERABLE HOMEWORK TO DO AND MAY FEEL THE NEED FOR A CONSULTATION WITH TORRIJOS IN PANAMA BEFORE RESPONDING. THIS MIGHT MEAN THAT THE ROUND COULD BE INTERRUPTED FOR THAT PURPOSE.

12. THE INFORMATION IN PARA 2-11 IS BASICALLY FOR YOUR BACKGROUND INFORMATION ONLY. IN YOUR DISCUSSIONS WITH THE BRAZILIANS, WE BELIEVE IT WOULD BE APPROPRIATE TO NOTE THAT THE NEGOTIATIONS NOW BEING HELD IN WASHINGTON APPEAR TO BE PROCEEDING WELL. THE UNITED STATES HAS MADE SOME IMPORTANT PROPOSALS ON THE OUTSTANDING ISSUES AND INITIAL INDICATIONS SEEM TO BE THAT PANAMA IS PLEASED WITH THE PROGRESS WHICH HAS BEEN MADE. IT IS TOO EARLY IN OUR JUDGMENT TO SAY THAT A BREAKTHROUGH HAS BEEN MADE, BUT WE CONSIDER THE CHANCES FOR REAL PROGRESS TO BE GOOD. YOU COULD MENTION THAT THE SUBJECTS UNDER DISCUSSION INCLUDE LANDS AND WATERS, NEUTRALITY, EMPLOYEES, AND THE ENTITY.

13. YOU MIGHT THEN WANT TO PROBE THE BRAZILIANS ON THE NEGOTIATIONS TO DETERMINE THE LEVEL OF THEIR SUPPORT FOR PANAMA. BRAZIL DID NOT SIGN THE JANUARY LETTER TO THE THEN PRESIDENT-ELECT AND ITS SHIPMENTS THROUGH THE CANAL ARE RELATIVELY SMALL. YOU MIGHT NOTE THAT OUR PRIMARY INTEREST IN THE CANAL IS TO ASSURE THAT IT REMAINS OPEN, EFFICIENT, SECURE AND NEUTRAL FOR ALL WORLD SHIPPING ON A PERMANENT BASIS, AND THAT WE BELIEVE THIS INTEREST COINCIDES WITH THE INTEREST OF MOST LATIN AMERICAN COUNTRIES. WE WOULD HOPE THAT THE LATIN AMERICAN COUNTRIES WOULD PERMIT THE NEGOTIATING PROCESS TO PROCEED ON A BILATERAL BASIS AND HELP US TO AVOID DRAGGING THIS ISSUE INTO INTERNATIONAL FORA.

14. THE ABOVE HAS BEEN PREPARED BY DICK WYROUGH AND CLEARED BY AMBASSADOR BUNKER BY PHONE. IF EITHER AMBASSADOR HAS ADDITIONAL THOUGHTS FOR YOU WE WILL BE IN TOUCH SECRET

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LATER MAY 12. CHRISTOPHER

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## Message Attributes

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